

## **103 KAR 16:120. Apportionment and allocation; trucklines, buslines, airlines.**

RELATES TO: KRS 141.120

STATUTORY AUTHORITY: KRS Chapter 13A

NECESSITY, FUNCTION, AND CONFORMITY: This administrative regulation, under authority of KRS 141.120(10)(b), specifies how the factors for apportioning the income of interstate truckline, busline, and airline companies are to be determined.

Section 1. General. (1) Business income of multistate corporate truckline, busline, or airline, shall be apportioned to Kentucky by multiplying the income by a weighted fraction, the numerator of which is the weighted sales factor (fifty (50) percent) plus the weighted property factor (twenty-five (25) percent) plus the weighted payroll factor (twenty-five (25) percent), and the denominator of which is four (4).

(2) Nonbusiness income shall be allocated to Kentucky by KRS 141.120(3) to (7) and 103 KAR 16:060.

Section 2. Sales Factor. "Sales" means operating income as defined by the Interstate Commerce Commission (Civil Aeronautics Board for airlines). The sales factor is a fraction, the numerator of which is operating income assigned to Kentucky and the denominator of which is total operating income. Kentucky operating income is determined as follows: Total operating income shall be multiplied by a fraction the numerator of which is miles operated in Kentucky and the denominator of which is total miles operated.

Section 3. Property Factor. The property factor is a fraction, the numerator of which is the average value of tangible property situated in Kentucky that is owned and used, and/or leased and used. The denominator is the average value of all tangible situated property that is owned and used and/or leased and used. The average value of tangible situated property during the tax period shall be determined under the provisions of KRS 141.120(8)(a). The value of over-the-road equipment and of aircraft shall be excluded in determining the average value of both Kentucky and total property.

Section 4. Payroll Factor. The payroll factor shall be determined under the provisions of KRS 141.120(8)(b). (IC-12; 1 Ky.R. 224; eff. 1-8-75; Am. 20 Ky.R. 2875; eff. 5-18-94.)